



Memorandum # 41/2004

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission
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MEMORANDUM

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: Costs of Buybacks

DATE: October 19, 2004

The Legislature recently approved two acts, Chapters 279 and 280 of the Acts of 2004, that will increase the cost of buying certain creditable service effective July 1, 2005. Members who wish to buy back creditable service under G.L. c. 32, §§ 3(2)(a)(vii), 3(3), 3(4), 3(4A), 3(5), 3(6)(c), 3(6)(d) and 3(8)(b) will be required to pay “buyback interest” rather than “regular interest.” Buyback interest is defined as one-half of the actuarial assumed interest in the board’s funding schedule on the date the buyback begins.

Additionally, a purchase of creditable service under G.L. c. 32, §§ 3(4), 3(4A) and 3(5) will require payment of “accumulated buyback deductions” rather than “accumulated regular deductions.” Accumulated buyback deductions is defined as “the sum of the amount of the regular deductions and the buyback interest thereon that would have been credited to a member’s account in the annuity savings fund of a system had buyback interest been credited rather than regular interest.” This change will take place for purchases effective July 1, 2005.

Another bill which dealt with the cost of buybacks under G.L. c. 32, § 4 has not been approved.

Appropriate forms will be issued before the applicable date of these Acts. The Commission will update boards as required.

We trust the foregoing is of assistance. If you have further questions or concerns, please contact this office.